



PROVINCIAL TREASURY

MEDIA STATEMENT – *For immediate release*

2006/07 AUDIT OUTCOMES

The Auditor-General has issued reports on the Limpopo Provincial Government (LPG) departments' financial performance for financial year ended 31 March 2007.

The report covers the outcomes of the departments based on their performance on a number of areas including Asset management, Internal control, Annual financial statements, Governance matters, Systems control and expenditure management.

The report indicates the causative factors that resulted in the qualifications and outlines the strategies identified to address these issues.

The finalisation of the audits was delayed due to unforeseen circumstances including the 2007 public sector strike and other internal matters within the Auditor-General's office.

As a result, the last audit report issued was for the Department of Health during the month of January 2008. The late issuing of these reports might impact on the effectiveness of the strategies improving the 2007/08 financial year audit.

As you go through the report you will realize that, on analysis of the departmental audit reports over the past six years, it has also come through that some departments including two major departments Education and Public Works have shown serious trends of improvement and consistency.

The following table reflects all departmental audit outcomes over the past 6 years:

DEPARTMENT	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07
Q= Qualified	AD= Adverse			U= Unqualified		
Treasury	N/A	N/A	N/A	N/A	U	Q
Premier	Q	U	U	U	U	Q
Education	Q	U	U	U	U	Q
Agriculture	Q	U	U	U	U	Q
Health	Q	U	U	U	Q	Q
Transport	Q	Q	U	Q	Q	Q
Public Works	Q	U	U	U	U	Q
Safety	Q	U	U	U	U	Q
Welfare	Q	U	U	U	Q	Q
Legislature	Q	U	U	U	U	Q
Local Government	Q	U	U	U	AD	Q
Economic	Q	U	Q	U	Q	Q
Sports	Q	U	U	Q	Q	Q

It must be said that we are not happy that all Provincial departments were qualified for the 2006/07 financial year.

The major causes for the qualification were the gaps that exist on Asset Management. Most departments could not provide the Auditor-General with sufficient and satisfactory information about the validity, valuation, existence and completeness of the assets.

In some cases, there was a lack of asset registers, incomplete or inaccurate asset information, assets not properly valued, unreconciled difference between asset register and Annual Financial Statements.

The bulk of these asset management issues can be attributed to the shortcomings on the financial system used in the Province.

Other issues raised by the Auditor-General were around the poor internal controls and governance issues.

Considering the issues raised in the 2006/07 audit reports the Limpopo Provincial Treasury has embarked on a multi-pronged strategy to address them. These include:

ASSET MANAGEMENT

a. Data purification/cleanup

Departments are currently cleaning their asset registers through the unbundling of bulk assets, clearing the draft assets, reconciling the FINEST and BAS capital expenditure processing journals to account for transaction on one system but missing on the other and removing non capital assets purchased through capital expenditure items.

b. Aligning FINEST codes to Standard Chart of Accounts (SCoA)

Provincial Treasury and the system provider are engaged in the process of aligning the codes to enable reporting and processing certain transactions not currently possible e.g. asset transfers (Phase 2).

c. Manual asset registers

Departments are required to capture asset registers on excel spreadsheets. The spreadsheets to be password controlled to ensure security of information.

d. Implementation of LOGIS system

The Provincial Treasury is exploring the implementation of LOGIS system to replace the current asset management system.

INTERNAL CONTROLS

In order to address accounting and internal control weaknesses identified during the audit the development of policies and procedures and standardisation of forms and processes will be priority areas that will be focused on.

A review of the Chief Financial Officers' units will also be undertaken to interrogate the organizational structure, vacancy rate and quality of the staff. The correct staffing of these units will be crucial to the improvement of financial management in the departments. Relevant training will be provided to ensure that the officials are able to perform optimally.

CONCLUSION

Audit steering committees will be set up in all departments which should assist in improving financial management and improve governance as well. Provincial Treasury will have to provide the necessary support and monitor that recurring issues that contribute to qualified reports are adequately addressed.

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